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THE PRESIDENT'S INTELLIGENCE CHECKLIST

11 July 1961

~~TOP SECRET~~

NOTE: This issue includes items from that of 10 July

1. **Comment on Khrushchev's military budget statement**

The addition of 3.1 billion rubles represents an increase of about one-third in announced military expenditures, only 10-15 percent of which would be accounted for by the halt in demobilization. To spend this amount, however, in the remaining months of 1961 would require drastic--and probably detectable--reorientation of the economy at the expense of Khrushchev's programs for "catching up with the West" and improving the standard of living. We suspect, therefore, that at least a part of the announced increase represents the uncovering of military expenditures previously concealed in other categories of the budget. The announced halt in demobilization makes public a step probably taken several months earlier.

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2. **Dominican riots set back chances for Balaguer's reform program**

The disturbances last week, inspired by pro-Castro extremists, resulted in violent reprisals by police and government-controlled mobs. There will now be greater pressure for repression of all anti-Trujillo activities, and moderate middle-class groups will be afraid to give political support to Balaguer. On Saturday, Castro started a new radio program, "The Voice of the Dominican Liberation Movement."

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3. Kuwait developments

a) The UAR is attempting to promote a unified demand by the Arab states for immediate British withdrawal. Although it still opposes Iraqi annexation, the UAR feels it is an "Arab problem."

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b) The Arab League is showing a tendency toward making Kuwaiti membership conditional on British withdrawal.

c)

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d)

the British,

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are considering replacing their troops with an Arab or Swedish force under UN auspices, and hinting that something might be worked out in the Security Council in "ten days or so."

(State Cables) *(See previous issue)*

4. Laotian developments

a) Phoumi's program for using the King to bring about a new government in Laos has fallen behind schedule; his plan will not be ready for presentation to the King before the end of the week.

b) We have further indications of local friction between pro-Souvanna forces and the Communists.

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c) Analysis of reorganization and expansion of North Vietnamese communications supports earlier indications that Hanoi has a growing role in air-lift operations into Laos.

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5. Swedes seek to postpone
Chinese representation
issue

Their UN delegation is rounding up support for setting up at this year's General Assembly session a committee which would study the "whole question" and report back the following year.

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6. Non-aligned Nations
Conference

The original twenty members have finally agreed on additional nations to be invited: Nigeria; Togo; Upper Volta; Lebanon; Ecuador; Bolivia; Mexico; and Brazil. This list represents a substantial victory for the moderates led by India and Burma.

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NOTES

A. Sunday's air show in Moscow was about as expected; no new aircraft types were shown beyond those spotted in rehearsals.

B. Soviet naval exercises in progress in the Atlantic have extended into waters west of Ireland--much farther from home bases than previous large-scale maneuvers.

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D. Increasing dissatisfaction with U Nu's leadership has prompted rumors in Rangoon of an early government crisis.

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E. The UN has forcibly expelled from the Congo George Thyssens, an unofficial Belgian extremist adviser in Katanga. We expect a reaction which will further complicate efforts to achieve Katangan participation in the parliament meeting.

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